

Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

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FY 2008 Budget Request for Affordable Rental Housing Programs

Effective Date or Deadline

Funding levels in the budget request are proposed for Fiscal Year 2008, which begins on October 1, 2007. The budget request is subject to the approval of Congress.

Background

On February 5, President Bush submitted his Fiscal Year 2008 budget request to Congress. Submission of the budget begins a process which, if run smoothly, will be resolved before October 1, with all of the annual appropriations bills signed into law.

The problem is that the budget process almost never runs smoothly. It has now become routine for the new fiscal year to begin without a finalized budget for that year as was the case this year when the FY 2007 budget did not receive final approval until February 15. Congress and the President then fund the government through temporary spending measures known as “continuing resolutions.” However, with the new alignment of both the Senate and House Appropriations Subcommittees, there is hope to expect the budget process to move more efficiently.

Between now and October, Congress is likely to go through the following exercises:

- Hold hearings on the President’s budget (through March);
- Adopt a “budget resolution” which sets spending caps (targeted date is April);
- Begin the FY 2008 appropriations process (May through September or until completed); and
- Resolve outstanding differences on the House and Senate versions of appropriations bills which are likely to be introduced by the Subcommittee Chairs in late May or early June.

Summary

With the war in Iraq and an emphasis on homeland security, much of the housing budget levels approved by Congress for FY 2007 have remained close to funding levels for FY 2006, and the proposed budget levels for 2008 that fund housing related programs will be lower than those of the actual appropriated funds in FY 2006. Some programs would receive slight increases in overall funding above the final approved FY 2007 budget; however these increases have been minimized in real dollars due to inflation rates.

The President has requested \$35.2 billion for HUD in FY 2008. About 60 percent of HUD's budget funds the project-based and tenant-based Section 8 programs. Budget documents state the funding requests for both Section 8 programs will be sufficient to renew existing Section 8 contracts. The CDBG program would receive an increase of \$5 million over the amount that has been approved for FY 2007, but is still 27 percent below the FY 2006 funding levels. Disabled Housing (Section 811) funding would be \$125 million, \$112 million less than FY 2006 levels, although the President requested similar cuts in for this year's budget that were not approved by Congress.

The request for RHS multifamily programs is a mixed bag of results with a total budget request of \$6.261 billion, an increase in funding by about \$550 million and roughly \$1 billion over FY 2006 and FY 2007 levels respectively. Section 515 has again been targeted to be zeroed out by the White House, but Congress did fund the program for FY 2007 although at levels below FY 2006 appropriations. Rental assistance (RA) would be receiving substantially more money (\$567 million), about \$232 million more than FY 2007, but still less than the \$647 million appropriated in FY 2006. Section 502 Single Family Housing direct loans would not be funded while guaranteed loans in Section 502 would receive \$4.849 billion. Finally, the Section 538 loan guarantees program was funded for FY 07 at the same level as FY 06 (\$98 million), and would receive an increase for FY 08 at \$200 million.

Funding for Specific Multifamily Housing Programs

HUD:

Tenant-Based Section 8: \$16.00 billion total funding; \$14.445 billion for contract renewals

HUD proposed an \$80 million overall increase for the Tenant-Based Rental Assistance Program with a \$9 million increase for contract renewals, an extra \$1 million for Tenant Protection Vouchers and an increase of \$70 million in additional administrative fees over the appropriated funds for FY 2007. The Administration will continue to push for reforms to Section 8 with legislation being introduced possibly as early as March.

Project-based Section 8: \$5.813 billion total; \$5.523 billion for contract renewals

HUD has chosen to decrease the funding for contract renewals by \$3 million, but has nearly doubled the amount of money it will spend on contract administrators from \$146 million in FY 2007 to \$286 million for FY 2008. HUD's explanation was that they needed to get the right people to do the job and the extra money would allow HUD staff to work more on their specific responsibilities.

Section 202: \$575 million

The President's proposal of funding the Section 202 program at \$545 million in FY 2007, with \$190 million in cuts, was rejected by Congress and funded at the same FY 2006 levels (\$735 million). Again the President has chosen to cut this program; this time to \$575 million. This could be because there are still development delays and cost overruns in the program which delay the units being brought online. HUD has made it a top tier priority into looking at these types of delays and what backlogs exist. Within

the request, \$62 million is for PRAC renewals, \$25 million is for rehab grants / assisted living conversion, \$71 million is provided for service coordinator grants, and \$1 million will be transferred to the working capital fund. This leaves roughly \$416 million for new construction, or an increase of \$2 million over the previous year. It is highly likely that Congress will again fund the program at FY 2006 levels which unfortunately will be a decrease in actual buying power due to inflation.

Section 811: \$125 million

The same situation that occurred with Section 202 funding in which large cuts were proposed and eventual funding levels were renewed at FY 2006 levels is the case with the Section 811 program. Proposed funding would be about half of the FY 2006 appropriation of \$237 million. Of the total funds, \$20 million will be directed toward PRAC renewals, \$75 million is for mainstream voucher renewals, no money would be appropriated for incremental mainstream vouchers and \$600 thousand for the working capital fund. There will also be \$30 million to be expended on program expansion. Again, it is highly likely that Congress will fund the program at FY 2006.

HOME: \$1.967 billion

Despite a request to increase the HOME program by \$160 million in FY 2007 over FY 2006 funding levels, Congress chose to freeze the HOME funding at \$1.757 billion. The Administration has now requested a \$210 million increase for HOME during FY 2008, with \$50 million less in the American Investment Partnership Program (ADDI) and \$50 million and \$45 million increases in the Homeless Assistance Grants and Shelter Plus Care (Renewals) programs respectively. Within the HOME program, \$3 million would be transferred to the Working Capital Fund, and \$10 million would be used for technical assistance. The formula grant would receive the remaining \$1.8 billion. In FY 2006, the HOME program helped over 143,000 families and this number is expected to rise in both 2007 and 2008.

HOPE VI: \$0

No new funding is proposed for FY 2008.

Community Development Block Grant (CDBG): \$3.037 billion

CDBG funding proposals continue to remain roughly 25 percent below the FY 2006 enacted level of \$4.178 billion. As was the case in FY 2007, approximately \$2.968 billion would be made available for formula grants as compared to \$3.704 billion in FY 2006. HUD will also continue to push forth with the goal of recalibrating the distribution formula so that the areas that need the most assistance will receive the most money. With the current formula, some areas that are very poor receive hardly any money while other areas that represent some of the wealthiest neighborhoods are receiving a much higher proportion than those poverty stricken districts.

USDA-RHS:

Single Family Housing: Direct and Guaranteed Loans (Section 502)

More than three-fourths of RHS's total housing service budget request would go to the Single Family Housing section-about \$4.85 billion. The Administration has chosen not to fund the Direct Loan Program in Sec. 502, but instead place the entire allocated money towards the Guaranteed Loan division.

Section 515: \$0

No new funding is proposed for Section 515. The same was true last year when the proposed budget was \$0, but Congress did appropriate \$98 million.

Section 521 Rural Rental Assistance: \$567 million

In FY 2007, about \$335 million was appropriated for RA. Much of the cut in FY 2007 was explained by the Administration's proposal to reduce the length of RA contracts from four years to only two years and now funding is returning to FY 2006 levels.

Section 538 Multifamily Housing Loan Guarantees: \$200 million

The request for this program has been doubled as it received about \$98 million in FY 2007. It is clear that the Administration prefers this loan guarantee program to the direct loans of Section 515.

Positive Aspects of This Budget Request

NAHMA is pleased that funding for several programs would be increased, including Tenant-Based Section 8, HOME and the Section 538 RHS loan guarantees program. However, there is not likely to be any significant growth in either Section 8 program, since most of the increases requested will go toward contract renewals. NAHMA does support the growth of the Section 538 loan guarantee program, though this indirect assistance is not likely to substitute for the Section 515 program in serving rural families most in need of housing assistance.

NAHMA does recognize the efforts of HUD to help create affordable housing through the HOME program. HUD states that nearly 762,000 affordable housing units have been created since 1992, and with an increase of \$210 million in the FY2008 Budget request, a total of \$1.97 billion will be made available to continue this important program.

The Administration will continue to seek a variety of statutory changes to the Section 8 voucher program, the CDBG distribution formula and consolidate the homeless assistance programs into one single grant program. Although the actual proposals might cause more concern than congratulations, as HUD and Congress debate on what steps of action to take, opportunities to place amendments and submit proposals for affordable housing will be made available. Input from the Preservation Task Force and Federal Affairs Committee will decide NAHMA's strategy for determining the appropriate legislative vehicle for our own recommendations.

Issues of Concern to NAHMA

Because the FY08 Budget is essentially just a re-write of the FY07 Budget which was a re-write of the FY 2006 Budget, the same concerns about actual and inflationary cuts to multifamily housing programs such as the Section 202 housing for the elderly; Section 811 housing for the disabled; CDBG; and the Section 515 rural housing program still exist. With these programs remaining in serious condition, NAHMA will continue to work to bring back the funding levels for these programs that represent true increases in appropriated money.

The \$3 million less for Project-Based Section 8 renewals is a concern and we will keep an eye on this. For the tenant-based Section 8 Housing Choice Voucher Program, the Administration again will seek separate legislation to give public housing agencies (PHAs) more "flexibility" to manage their dollar-based budgets. NAHMA has opposed the Administration's overall reform package from the beginning and will continue to do so until all aspects of the bill—especially the provisions for voucher funding-- can be hammered out into a sensible public policy proposal.

PART Scorecards. The Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART) scorecards were designed so that the goal to examine the effectiveness of every federal program

can be met. OMB has assessed 43 Housing Federal programs and determined that 4 of these are effective, 13 were moderately effective, 10 were adequate, 4 were ineffective and 12 had results not demonstrated.

PART scorecards have become a mainstay of the federal budget. Below are the PART ratings on the programs that may be an interest to NAHMA members. The list is not all inclusive and members should keep in mind that not all programs are reevaluated every year. The list contains the most recent score.

Additional details can be found at: www.expectmore.gov or <http://www.whitehouse.gov/omb/expectmore/topic/Housing.html>

HOME Program: Moderately Effective

OMB believes the program has “excellent” management, its “program purpose and flexible design enable HOME to have a potentially significant impact on affordable housing problems,” (particularly because it leverages \$3 dollars for every one dollar in HOME funds), and it “...has made progress towards its annual performance goals and demonstrated improve efficiency over time.” OMB would like to improve the performance of the program by “developing long-term outcome measures to assess the impact HOME has on communities and neighborhood quality” and participate “in independent evaluations and studies of the program to highlight areas for improvement.”

Community Development Block Grant: Ineffective

OMB feels this program needs a full scale overhaul. The scorecard called for improvements in clarifying the very purpose of the program, targeting the funds, and developing performance measures for success. HUD is working to develop performance measures that will address OMB’s criticisms. Additionally, the Administration will ask Congress for statutory changes that will give more funds to the neediest areas.

HOPE VI: Ineffective

OMB believes this program has achieved its original purpose of demolishing 100,000 severely distressed public housing units. The program has been consistently recommended for termination in budget request from FY 2004 onward as it has been for FY 2008.

Section 202 Elderly Housing: Results not Demonstrated

OMB slammed the program for development delays, cost increases, and an inability to demonstrate it has improved the well-being of poor elderly individuals. OMB believes the program’s performance can be improved by developing performance measures and reducing delays in development.

Section 811 Housing: Results not Demonstrated

OMB strongly feels that this program has inadequate long-term measures to “determine what impact the program has on poor disabled individuals.” In particular, the program was slammed for not tracking “the extent to which recipients find and stay in their housing.” OMB also criticized the cost-effectiveness of the capital grant portion of this program, development delays and cost overruns. Action items for improving the program included “Working with the Congress to streamline the delivery of new housing assistance to provide more housing units for very low-income disabled persons under more flexible terms,” and developing program performance measures.

Housing Vouchers: Moderately Effective

Vouchers were deemed a cost-effective form of housing assistance. OMB particularly liked the new budget-based funding structure, and noted that HUD made substantial progress in reducing improper subsidy payments within this program. Nevertheless, OMB asserted it will continue to seek more “flexibility” in the program from Congress. Additionally, the Administration will continue efforts to eliminate erroneous subsidy payments through implementation of the Upfront Income Verification program.

Project-Based Rental Assistance: Ineffective

OMB asserts “The program has poor financial controls. There is little incentive to control costs as these are passed onto the federal government and many properties are subsidized above the market rents in the metropolitan area where they are located.” Additionally, OMB slammed this program because assisted tenants lose their subsidy if they move, and there are no specific performance targets for achieving tenant self-sufficiency. Specific action items for improving the performance in this program include, “Stepping up enforcement action against substandard properties, including conversion of assistance to vouchers,” and “Developing strategies and measures for improving the economic well-being of residents.”

RHS Multifamily Housing Direct Loans and Rental Assistance: Moderately Effective

These programs received an upgrade in their PART score from the previous “Results not Demonstrated” rating. OMB was pleased with the annual performance measures and long-term outcome based performance measures. It will seek to improve the program by issuing regulations which “will require the property owners to maintain an appropriate reserve for capital repairs,” and pursuing legislation to “help address dilapidated properties currently within the portfolio.”

NAHMA’s Position

With such a large amount of discretionary funding going towards Presidential initiatives not involving housing, NAHMA is at least pleased that there were slight increases to the HUD and RHS budgets to fund important housing programs. While it is unlikely that funding will exceed the FY 2006 levels for some time in programs such as CDBG and Section 811, NAHMA believes that it can continue to work with members of Congress to increase funding beyond what the President is calling for with respect to the HUD and RHS budgets. We believe that all HUD and RHS production programs should be increased for inflation at a very minimum.

NAHMA will also continue to update our members through the grassroots advocacy center webpage about any action that affects the funding of housing programs. We also encourage our members to alert members of Congress on how the funding levels will directly affect their properties and the tenants they serve. Members are strongly encouraged to do this through personalized letters or arranging meetings to express first hand how the proposed budget will alter their programs or how maintaining these programs has become more and more difficult over the last several years.